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TFFR News Briefs for Employers from the ND Retirement and Investment Office
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TFFR Legislation



New TFFR provisions become effective August 1, 2003, with the legislative approval of Senate Bill 2057. Additional information about these provisions can be

found in the enclosed "Report Card" newsletter or on our website at www.discovernd.com/rio. An updated "Employer Guide" will be sent to all employers in August. Here are highlights of the major plan changes.

Salary Definition – TFFR takes a broad view of eligible salary for purposes of determining retirement contributions and benefits. Eligible salary typically includes a teacher's base contract salary, plus additional pay for extra duties like coaching, extracurricular activities, adult education, driver's education, in-staff subbing, summer school, etc. However, any fringe benefit or payment expressly prohibited by state statutes is not eligible TFFR salary. Also, TFFR statutes do not allow individual employees to modify salary arrangements to improve their retirement benefits (spiking salaries).

Recently approved legislation updates the definition of salary to clarify whether certain special kinds of compensation are included as eligible salary. Here are the basics:

- Eligible salary **includes** earnings for teaching, supervisory, administrative, and extracurricular services, and bonus amounts paid to members for performance, retention, experience, and other service-related bonus payments.

- Eligible salary **does not include**:

a) Fringe benefits or side, non-wage benefits which accompany or are in addition to a member's employment including insurance

programs, annuities, transportation allowances, housing allowances, meals, lodging, and expense allowances, or other benefits provided by a member's employer.

b) Insurance programs including medical, dental, vision, disability, life, long-term care, workers compensation, or other insurance premiums or benefits.

c) Payments for unused sick leave, personal leave, vacation leave, or other unused leave.

d) Early retirement incentive pay, severance pay, or other payments conditioned on or made in anticipation of retirement or termination.

e) Teacher's aide pay, referee pay, bus driver pay, janitorial pay.

f) Amounts received by a member in lieu of previously employer-provided benefits or payments that are made on an individual selection basis.

g) Recruitment bonuses.

h) Other benefits or payments not defined above that the Board determines to be ineligible TFFR salary.

TFFR/PERS

Dual Membership Guidelines –

Dual membership provides portability to members with service in TFFR and the Public Employees Retirement System (PERS), and/or the Highway Patrolmen's Retirement System (HPRS). For vesting and retirement eligibility, the years of service in these systems will be added together, with service not to exceed one year of credit in any fiscal year.

Example: A teacher age 58 with 25 years of TFFR service credit and 2 years of PERS service credit is eligible to retire under the Rule of 85. Age 58 + service credit 25 + 2 = 85.

Employees working multiple jobs in a school district that requires participation in TFFR and PERS will be reported to both systems based on job duties.

Example: Teacher A

Full-time teacher's aide Sept-May
(report to PERS)
Also teaches summer school
(report to TFFR)

Teacher B

Part-time teacher's aide Sept-May
Meets PERS minimum
(report to PERS)
Also teaches one class Sept-May
(report to TFFR)

Exception: Employees who elect to remain under the old law, which required multiple jobs under dual membership to be reported to the retirement system with the most service credit.

At retirement, dual members will be given the option of receiving their retirement benefits from TFFR and the alternate retirement plan under one of the following calculations:

1) Each retirement system will use their three highest salaries in the computation of final average salary and all the service credit earned in their system; or

2) The retirement systems will combine salaries to create the high three salaries in the computation of final average salary; however, the service credit recognized cannot exceed one year in any fiscal year. If overlapped service credit occurs, only one of the retirement systems will recognize the credit.

Employer Service Purchase – Under current



law, teachers are allowed to purchase service credit for use toward retirement eligibility. Beginning August 1, 2003, employers will also be able to purchase service credit on behalf of TFFR members. Employer

service purchases may be made under the following conditions:

1) The member **may not** be given the option to choose between an employer service purchase and an equivalent amount paid in cash. As long as the member has no “cash or deferred” choice, the member is not taxed on the purchase.

2) The member must be eligible or nearly eligible for retirement. To be eligible, either the sum of the member's age plus service credit must be at least 77, or the member must be at least age 55 with at least three years of service credit.

3) The employer may purchase a maximum of three years of credit for the member under guidelines developed by the employer.

4) The purchase price must be determined on an actuarially equivalent basis, which takes into consideration the member's age, salary, and increase in benefits that will be paid as a result of the service credit purchase.

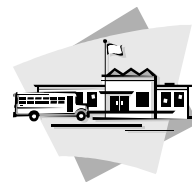
5) The employer must pay the purchase price in a lump sum prior to the member's retirement. Once the amount is paid to TFFR, the service credit purchased will be added to the member's account. However, the actual dollars do not become a part of the member's account value.

To implement this new provision, employers will need to develop specific guidelines to be followed in deciding for whom they will purchase service. TFFR is not itself a party to the agreement between the employer and the member. In general, TFFR will provide the purchase price amount to the employer, and if the service is purchased, TFFR will credit the service to the member.

Any employer interested in purchasing service credit on behalf of a member should contact the Administrative Office for a cost estimate and employer service purchase form.

Retiree Return to Teach Limits –

Retirees may return to TFFR covered employment under several options. Under the General Rule, after 30 days elapse from the retirement date, a retiree may return to TFFR covered employment for a maximum number of hours and continue to receive TFFR retirement benefits. Employer and employee contributions will not be paid to TFFR; and the monthly retirement benefit will not be affected. The annual hour limit



has changed from 700 hours per year to an annual hour limit based on length of employment.

Retiree Annual Hour Limitation

9 month contract = 700 hours
10 month contract = 800 hours
11 month contract = 900 hours
12 month contract = 1000 hours

** The annual hour limits based on length of employment apply to retirees only. For all non-retired teachers and administrators, 700 hours still equals one year of service credit.*

In addition, extracurricular duties and professional development will not be counted in the limit. For excluding hours toward the retiree annual hour limit, extracurricular means any duty outlined in the extracurricular schedule of an employer's master agreement, unless the duty was part of the retiree's regular job duties and base salary prior to retirement.

Enclosed is a small supply of new "TFFR Retired Member Employment Notification" forms. This form must be completed each year within 30 days of employing a retired teacher. The form also outlines the other return to work options that allow a retiree to exceed the annual hour limits.

Pension Note Requirements (GASB #25)

TFFR receives numerous requests at fiscal year end from accounting firms needing financial disclosure information on the total TFFR contributions paid by a school district. This information is found on the fiscal year-end employer summary report provided to school districts each August.

Beginning August 2003, a GASB #25 memo will be included with the final employer summary report. Since this documentation is provided to the school districts on a fiscal year basis, future requests from accounting firms will be referred to the individual school district(s).

If you have questions regarding the location of this information on the summary report, please call TFFR.



Employer Summary Reports

Effective fiscal year 2003-04, TFFR will change the Employer Summary Report mailing schedule. The reports will now be mailed to employers quarterly. Please note that your report and payment are still due the 15th of each month. In order to have a complete quarter on the summary report, the mailings will be done in October (July-September), January (October-December), April (January-March), and the final fiscal year-end report in August (April-June).

This will not affect the mailing of the Employer's Report of Contributions. This report will continue to be mailed monthly to employers that report by paper.

New Forms

Enclosed is a small supply of updated TFFR forms. Please discard all old versions. If you need additional forms, please contact our office or access the forms on our website at www.discovernd.com/rio.



The forms enclosed are:
Member Action Form
Notice of Termination
TFFR Retired Member Employment Notification

Employing Retirees in Critical Shortage Areas

Retired teachers may return to TFFR covered employment in an approved critical shortage area (CSA) and exceed the annual hour limit without losing retirement benefits. If retired prior to January 1, 2001, no waiting period is required. However, if the retirement date is after January 1, 2001, a one year waiting period is required. Only non-contracted substitute teaching may be performed during the waiting period.

The critical shortage areas are determined each year by the Education Standards and Practices Board (ESPB). For the 2003-04 school year, all subject areas are deemed critical except elementary education, physical education, and social studies. A critical shortage exception may also be requested based on geographical area. Each year a retiree must reapply for the CSA exception and complete a TFFR Retired Member Employment Notification form.

Fiscal Year-End Reminders



- ✓ To close a member record, TFFR requires compensated hours (not to exceed 700) and last date worked (May or June). Report this information the same month you report the final salaries earned. The due date for final payment of contributions (fiscal year ending June 30, 2003) is July 15, 2003.
 - ✓ Report salary in the fiscal year the salary was **earned**, not when paid. Salary earned for some summer programs (including driver's education) could be reported in two fiscal years.
 - ✓ If you do not have contributions to report for a particular month, it is still necessary to submit written notification to TFFR documenting you will not be reporting anything for the month.
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